

## What is a co-operative?

A co-operative is an autonomous association of persons, united voluntarily to meet their economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.

The co-operative idea is based on the values of self help, self responsibility, democracy, equality, equity and solidarity. Co-operative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

Seven internationally recognised co-operative principles provide guide-lines for the practical application of these values and it is these principles that provide the basis for co-operative practice and law around the world.

In Australia, a co-operative is an incorporated body. Most are registered under state law, however in Victoria some of the older co-operatives were formed before the state had a co-operatives act and are registered under Corporations Law.

## Where co-operatives began

The modern co-operative had its origin in Rochdale, England where in the mid 1800's a group of weavers established a retail store that provided goods at fair prices. The principles adopted by the Rochdale pioneers for the conduct of their business form the basis of the seven international co-operative principles.

Today, co-operatives are found in over 100 countries and serve over 750 million people.

## Co-operatives in Australia

Co-operatives have served generations of Australians for over 130 years; in fact a number of co-operatives formed early this century still exist today. There is no limit to 'The Co-operative Way'.

In Australia today there are co-operatives active in

AGRICULTURE	HOUSING
FINANCIAL SERVICES	CHILD CARE
RETAIL	BROADCASTING
MARKETING	CULTURAL
TRANSPORT	COMMUNITY SERVICE
ENERGY	EMPLOYMENT
HEALTH	and many other services.

## Unique features of co-operatives

A co-operative gets its strength by group action. By working together, people and business with similar problems or interests can combine their resources and influences in an equitable way to achieve results and benefits that cannot be effectively achieved individually.

### Member owned and financed.

Co-operative owners are called members. They agree to make use of the services of the co-operative and contribute capital to fund the enterprise, usually by purchasing shares.

Members contribute funds not for capital gain but for trading benefits. They may also receive dividends on capital contributed but they are secondary to the trading benefits.

When a member ceases to trade with co-operative, the actual capital contributed by that member is usually returned to them.

### Equitable distribution of profits.

Like all enterprises, co-operatives need to make a profit to provide for the future. Profits made can be used to develop the business of the co-operative, or be distributed to members, or for supporting activities approved by members.

Members who trade with a co-operative usually receive a rebate from the profits in each year, based on their level of trading and the profitability of the co-operative in that year.

In some circumstances, rebates to which a member would otherwise be entitled are capitalised into shares on the basis that the capitalised amount is returned on the eventual surrender of those shares, but without capital gain. Dividends can also be distributed to members based on their share capital.

Some co-operatives choose to operate on a not-for-profit basis. This means that all profits made are retained in the co-operative and not distributed to members.

### Democratic control.

Democratic control means the final authority to control the affairs of the co-operative rests with the members who use it. Every member has one vote only, irrespective of capital contributed or use of services of the co-operative by them.

Democratic control is exercised by the members electing a board of directors charged with the management of the co-operative, by approving the rules by which the co-operative operates and by voting on resolutions at general meetings.

### Community Benefit.

Co-operatives benefit the community by providing continuity of service to suppliers and consumers, and retaining money in their local economies.

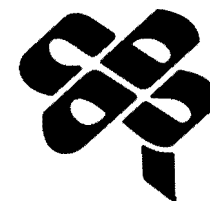
## Co-operatives and companies

The main differences between a co-operative and a company are in their primary objectives, form of control and how profits are distributed.

The prime objective of a co-operative is to provide benefits in the form of goods and/or services to its members. A company exists to maximise profits for its investor shareholders.

In a co-operative each member has one vote only, whereas in a company voting and control is related to the number of shares held.

The profits of a co-operative are usually distributed to members in proportion to use of the co-operatives services, whereas profits in a company are normally distributed as a return on capital invested.



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## Co-operative principles

The following seven principles act as guide-lines for co-operatives around the world:

### 1. Voluntary and Open Membership.

Co-operatives are voluntary organisations, open to all persons able to use their services and willing to accept the responsibilities of membership without gender, social, racial, political or religious discrimination.

### 2. Democratic Member Control.

Co-operatives are democratic organisations controlled by their members, who actively participate in setting their policies and making decisions. Men and Women serving as elected representatives are accountable to the membership. In primary co-operatives, members have equal voting rights (one member, one vote) and co-operatives at other levels are organised in a democratic manner.

### 3. Member Economic Participation.

Members contribute equitably to, and democratically control, the capital of their co-operative. Usually, at least part of that capital is the property of the co-operative. They have usually received limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes;

- \* Developing the Co-operative, possibly by setting up reserves, part of which at least would be indivisible,
- \* Benefiting members in proportion to their transactions with the co-operative, and
- \* Supporting other activities approved by the membership.

### 4. Autonomy and Independence.

Co-operatives are autonomous self help organisations controlled by their members. If they enter into agreements with other organisations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their co-operative autonomy.

### 5. Education, Training and Information.

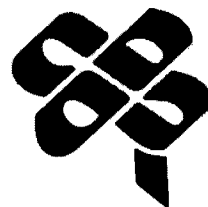
Co-operatives provide education and training for their members, elected representatives, managers and employees so that they can contribute effectively to the development of their co-operatives. They inform the general public, particularly young people and opinion leaders about the nature and benefits of co-operatives.

### 6. Co-operation between Co-operatives.

Co-operatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional and international structures.

### 7. Concern for the Community.

While focusing on member needs, co-operatives work for the sustainable development of their communities through policies accepted by their members.



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### For further information.....

To find out more about how a co-operative works,  
or how to form one, please contact;

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This brochure is published by  
Co-operative Federation of Victoria Ltd.  
with the support of the  
Office of Fair Trading and Business Affairs.

Introducing  
**Co-operatives**



**Unity in Diversity**